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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS 12/18/08

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Only 34 PERCENT in Japan think Japan-U.S. relations are good

Nikkei:

Panasonic agree to buy each Sanyo share for 131 yen from three major shareholders

Sankei:

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- (2) Spring wage offensive for 2009: Top priority must be given to job security

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- (2) Withdrawal of SDF troops from Iraq: Japan must fully consider future options for international contributions

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Akahata:

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3) Prime Minister's Official Residence (Kantei)

Prime Minister's schedule, December 17

NIKKEI (Page 2) (Full)  
December 18, 2008

08:01

Had a walk around his private residence in Kamiyamacho.

13:24

Met National Association of Commercial Broadcasters in Japan  
Chairman Hirose, Association for Promotion of Digital Broadcasting  
Board Chairman Mabe and others.

14:12

Met Japan International Broadcasting President Takashima, followed  
by National Association of Towns and Villages Chairman Yamamoto.

15:00

Met LDP Fukuoka chapter chairman Shingu and others in the presence  
of Chief Deputy Secretary General Harada. Afterward met ruling bloc  
mid-term program project team leader Nukaga.

16:02

Met FIFA President Blatter, followed by Lower House member Seishiro  
Eto. Afterward met Deputy Chief Cabinet Secretary Konoike.

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16:33

Met National Police Agency Director General Yoshimura, followed by  
Internal Affairs and Communications Minister Hatoyama and Vice  
Internal Affairs and Communications Minister Takino.

18:08

Attended a Tokyo Assembly LDP meeting held at a Japanese restaurant  
in Akashicho, with Senior Deputy Secretary General Ishihara, joined  
by Election Strategy Council Chairman Koga.

19:11

Met parliamentary secretaries of all ministries in the presence of  
Matsumoto and Konoike, joined by Chief Cabinet Secretary Kawamura.

21:01

Met at a Hotel New Otani bar with LDP president special assistant  
Shimamura, Public Relations Chairman Furuya and others.

23:15

Returned to his private residence.

4) Yomiuri-Gallup poll: Low of 34 PERCENT say Japan-U.S. relations  
in good shape

YOMIURI (Top play) (Full)  
December 18, 2008

The proportion of people in Japan who think the current bilateral  
relationship between Japan and the United States is in good shape  
dropped from 39 PERCENT last year to 34 PERCENT, the lowest level  
since 2000, the Yomiuri Shimbun found from a joint public opinion  
survey conducted with the Gallup Organization, a U.S. pollster, in  
mid-November. In the United States, it rose from 46 PERCENT to 53  
PERCENT. The figures show a perception gap between the two sides.

In the survey, respondents were also asked if they trust each  
other's country. In Japan, the proportion of those who trust the  
United States was 32 PERCENT, down from 34 PERCENT last year. In  
the United States, the proportion of those who trust Japan was 67  
PERCENT, up from 61 PERCENT.

As seen from the figures, the Japanese public's attitude toward the  
United States has worsened. This can be taken as reflecting a gap  
between the two countries' respective policies toward North Korea  
and repercussions from the financial crisis in the United States.

In response to a question asking if Japan and the United States have  
been able to cooperate with each other on North Korea, "yes"  
accounted for only 16 PERCENT in Japan, with "no" reaching 77  
PERCENT. This implies the Japanese public's discontent with the  
United States for its delisting of North Korea as a state sponsor of  
terrorism with no concrete progress on the issue of Japanese  
nationals abducted to North Korea.

Asked about the financial crisis, 83 PERCENT answered that their  
faith in the U.S. economy has declined. The financial crisis seems

to be a factor that lowered the degree of trust in the United States.

In addition, respondents were further asked how they thought Japan-U.S. relations will change with President-elect Obama and his administration coming into office early next year. To this question,

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"improve" accounted for 28 PERCENT in Japan, with "worsen" at 11 PERCENT and "no change" at 51 PERCENT. In the United States, "improve" accounted for 50 PERCENT, with "worsen" at 12 PERCENT.

Asked whether Japan has contributed to the international community's war on terror, "yes" accounted for 49 PERCENT in Japan, with "no" at 40 PERCENT. In the United States, "yes" was at 45 PERCENT and "no" at 49 PERCENT.

5) Iraq support activities end; Last cargo plane leaves Kuwait; SDF troops walked tightrope for five years

NIKKEI (Page 2) (Abridged slightly)  
December 18, 2008

Hirofumi Matsuo, Kuwait

One of the Air Self-Defense Force's three C-130 transport planes -- the last one -- that have been on an airlift mission as part of Japan's reconstruction support for Iraq departed from Kuwait for Japan on December 17. Most of the some 200 ASDF troops there will also return to Japan by government plane before year's end. Five years of the SDF's reconstruction assistance in Iraq has now ended.

Ahead of the aircraft's departure, a withdrawal ceremony was held at Ali Al Salem Air Base in Kuwait, at which Parliamentary Secretary of Defense Ryota Takeda said: "Owing to efforts by the SDF troops, the mission has been accomplished with no casualties and (Japan) has won international trust and praise."

Constantly in danger of being attacked by armed forces, SDF troops were forced to walk a tightrope in carrying out reconstruction assistance in Iraq. The mission has also left many challenges, such as what to do with the legal grounds for dispatching troops overseas and the weapons-use criteria.

Looking back on the mission, a senior ASDF officer said: "The temperature was 50 C, and you couldn't open your eyes in a sandstorm. You were always in fear of a ground-to-air missile flying at you. The atmosphere in the battlefield was tense." In the aircraft, the alarm sounded often to indicate danger.

The Ground Self-Defense Force conducted water-supply activities and public facility restoration work in the Iraqi southern city of Samawah. Rockets landed near their camp, and gun battles between armed groups also occurred in its vicinity.

UN Secretary General Ban Ki Moon has sent a letter to Prime Minister Taro Aso praising Japan's effort, reading: "I appreciate the Japanese government's important contributions. I hope Japan will continue to support the United Nations' efforts in Iraq by other means." But the reaction from among the Iraqi people has been mixed, with one saying, "Japan should come back with industry."

Weapons of mass destruction, the basis for the Iraq war, have not been found. As seen from this fact, the Iraq mission has left many challenges for Japan. The legal grounds for dispatching the SDF overseas have also presented challenges.

Regarding Baghdad as a combat area, the Nagoya High Court ruled the ASDF mission unconstitutional. The use of weapons is limited to justifiable defense and emergency evacuations. A former SDF member

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has raised questions about this rule. The idea of sending the SDF to waters off Somalia to combat piracy has emerged in the government.

The question is how to make good use of the lessons learned in Iraq.

6) Final coordination underway in government to incorporate 70-80 billion yen of U.S. force realignment cost in fiscal 2009 budget

NIKKEI (Page 2) (Excerpts)  
December 18, 2008

The government has begun final coordination for incorporating in its fiscal 2009 budget 70 to 80 billion yen of the U.S. force realignment cost, including the U.S. base facilities cost, as was agreed upon by the Special Action Committee on Okinawa (SACO). The cost will be increased significantly in preparation for the relocation of 8,000 Marines from Okinawa to Guam that will move into full swing in fiscal 2009. Initially, the cost was expected to run up to 100 billion yen, but given the yen's appreciation, the government has reviewed the exchange rate. The government has also reduced its estimate on the improvement of facilities.

About 35 billion yen will be earmarked for the construction of billets and other facilities for the Marines moving to Guam. Also included in the amount is the cost of relocating Futenma Air Station (to a new site in Okinawa) and carrier-borne aircraft to the Iwakuni base.

7) FY2009 budget earmarks 60 billion yen for U.S. force realignment

SANKEI (Page 2) (Abridged)  
December 18, 2008

The government decided yesterday to earmark about 60 billion yen in its fiscal 2009 budget for the planned realignment of U.S. forces in Japan. Next fiscal year is the initial year to start realignment projects, and one of the projects is to construct facilities in Guam for U.S. Marines to be relocated from Okinawa. The budget size is about three times larger than 19.1 billion yen for the current fiscal year.

In May 2006, the Japanese and U.S. governments agreed to realign the U.S. military presence in Japan. Specifically, the two governments have reached an agreement to relocate the U.S. Marine Corps' Futenma Air Station in Ginowan, Okinawa Prefecture, to Camp Schwab, a U.S. military base located in the island prefecture's northern coastal city of Nago. For this relocation of Futenma airfield, the Japanese government plans to build an alternative facility in a coastal area of Camp Schwab. Along with this relocation of Futenma airfield, the United States will move about 8,000 Marines from Okinawa to Guam. This Guam relocation is specified in the U.S. government's roadmap.

According to the plan, realignment-related projects will start next fiscal year. One of them is to build such facilities as headquarters and billets in Guam. The government is now coordinating to appropriate approximately 40 billion yen from the budgetary estimate of 60 billion yen for Guam relocation.

Meanwhile, the government plans to build an alternative facility in a coastal area of Camp Schwab for Futenma airfield. This construction is premised on an environmental assessment of the relocation site and its environs. However, this assessment is

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unlikely to be completed next fiscal year. The government will therefore not incorporate a budget estimate for full-fledged construction. However, the remaining budgetary estimate of around 20 billion yen is expected to be appropriated for such purposes as dismantling billets at Camp Schwab and building hangars at the Iwakuni base for carrier-borne aircraft to be redeployed there.

8) Japan, Australia to agree on information-sharing to combat terrorism and disasters at bilateral security meeting

NIKKEI (Page 2) (Full)  
December 18, 2008

The governments of Japan and Australia have now begun finalizing a

plan to push ahead with information-sharing to deal with major disasters and the threat of terrorism. The two countries will begin discussions next year or later for formulating a treaty on protecting secrets between them. The two countries plan to specify it in a joint document showing new security and defense guidelines after reaching an agreement at their two-plus-two defense and foreign ministerial meeting to be held today in Tokyo.

The two countries will also confirm a plan to expand the scope of joint training between Japan's Self-Defense Forces and the Australian military to be prepared for natural disasters in the Asia-Pacific, such as tsunamis and earthquakes. Australia has expressed a willing to take over part of Japan's energy aid to North Korea (equivalent to 950,000 tons of heavy fuel oil) in accordance with a six-party agreement. The two countries will search for ways to coordinate their North Korea policies, as well.

9) U.S. Assistant Secretary of State DeSutter: North Korea possesses a number of nuclear weapons; No compromises on such matters as collecting test samples

SANKEI (Page 6) (Abridged)  
December 18, 2008

By Takeshi Arimoto in Washington

U.S. Assistant Secretary of State for Verification and Compliance Paula DeSutter in an interview with the Sankei and other news organizations made this statement about North Korea's nuclear development program: "We don't know exactly how many they have, but North Korea possesses a number of nuclear weapons." She said that to resolve the nuclear issue, it was necessary to inspect the nuclear facilities, including the nuclear weapons plant. She took an uncompromising stance on such matters as collecting samples. She stressed the view that North Korea was not recognized as a nuclear power under the provisions of the Non-Proliferation Treaty (NPT).

Ms. DeSutter judged as "extremely insufficient" North Korea's report in June of its nuclear programs. In addition, referring to the verification process when Libya scrapped its nuclear program as having been carried out sufficiently, she stressed, "Verification is not a hostile act." She argued that verification was indispensable for determining the veracity of the contents of the report.

On the question of activities to spread nuclear weapons to other countries, as well as on the nuclear program to enrich uranium, she said, "Their hands are still not clean." She took the view that verification was also necessary regarding not only the nuclear

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program using plutonium, but also proliferation activities and uranium-enrichment activities as well. Moreover, she also stated, "There is a facility for making (nuclear) weapons," making her view clear that the nuclear weapons plant, too, should be subject to verification.

Ms. DeSutter stated that "it was very important" for North Korea to quickly return to the NPT in order for the Six-Party Talks agreement to be implemented. "They are not recognized as being a nuclear power," she declared.

10) U.S. adopts unprecedentedly drastic monetary measure -- rate cut to 0 PERCENT, monetary quantitative easing

YOMIURI (Page 3) (Excerpts)  
December 18, 2008

Challenged by the serious downturn in economy, the Federal Reserve Board (FRB) on December 16 adopted an unprecedented monetary policy of cutting its federal funds target rate, a benchmark for short-term interest rates, to nearly zero and strengthening its monetary quantitative easing policy. The world is keeping close tabs on whether the FRB can bail out the U.S. economy, which is on the brink of falling into deflationary economy, with the unusual financial policy, which Japan adopted during the economic slump after the collapse of asset-inflated bubble economy?

Japan's case: Effective in stabilizing financial market

The Bank of Japan (BOJ) in February 1999 introduced a zero-interest-rate policy in an effort to put an end to the deflationary economy. When the economy temporarily showed signs of picking up, the BOJ lifted the policy in August 2000. However, when concern about immediate adverse influences mounted once again, the BOJ adopted a monetary quantitative easing policy in March 2001. The zero-interest-rate policy was kept in place until July 2006 for five years and fourth months.

Under Japan's quantitative easing policy, a massive amount of interest-free funds were supplied to financial institutions, with which the BOJ had a business connection, so as to raise the cash balance in their BOJ current accounts, instead of interest rates being hiked or lowered by the BOJ. The aim was to revitalize the economy, by increasing money supply to be used for loans to companies.

However, many rated that policy produced only a small effect in terms of buoying up the economy, loans to companies did not increase much. The reason for that is since banks at the time were strapped with an enormous amount of bad loans, they could not afford to extend fresh loans.

However, it is believed that the quantitative monetary easing policy was effective in stabilizing the financial system with the BOJ supporting leading banks' cash management.

11) Nissan to end contracts with temporary workers: Honda to post 190 billion yen deficit in second half of fiscal 2008

YOMIURI (Page 2) (Full)  
December 18, 2008

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Nissan Motors on December 17 announced a plan to cut additional domestic production -- 78,000 units and end contracts with temporary workers at its domestic plants by the end of March 2009. This is the first time for any leading automaker to stop employing workers dispatched from employment agencies. Honda Motors the same day released a plan for an additional production cut by 54,000 units at its domestic plants and to slash contract workers by another 450. There seems to be no end to production and employment adjustment by leading automakers, following the slowdown in the global economy.

Nissan had been employing approximately 2,000 dispatched workers. However, it released a plan in November to reduce the number to 500 before year's end. It will also stop operations for several days in a month at four plants. This would reduce production in fiscal 2008 by 225,000 units, a drop of about 16 PERCENT from the target of 1.388 million units in the initial production plan.

Honda revealed an outlook that its group operating profit, which shows profits from the main line of business, will show a deficit of approximately 190 billion yen in the second half of fiscal 2008 (October 2008-March 2009). This is the first time for the company to suffer an operational deficit in any half-year term since it adopted the current accounting system. It projects that an operational profit for the whole financial year ending in March 2009 would drop to 180 billion yen, down 81.1 PERCENT from the preceding year.

Honda will flatly cut managers' salaries by 10 PERCENT, starting in January 2009.

12) Foreign financial institutions cut 3,100 jobs, more than 10 PERCENT of Japanese payrolls, since last August

NIKKEI (Page 3) (Excerpts)  
December 18, 2008

Hit by the ongoing financial crisis, foreign-affiliated financial institutions have accelerated moves to slash jobs in Japan. Since credit woes stemming from the U.S. subprime mortgage crisis became

serious in August of last year through mid-December of this year, 3,100 jobs have been cut. The cuts amount to 11 PERCENT of the Japanese on their payrolls (about 28,000 persons). Foreign firms are expected to continue cutting jobs, and a total of 4,400 workers may be thrown out of work by the middle of 2009, according to a report produced by human resources consulting firm Executive Search Partners Co. yesterday.

U.S. and European financial institutions began to step up retrenchments in Japan in the wake of the failure of major U.S. brokerage house Lehman Brothers Holdings Inc. in mid-September. With financial institutions saddled with massive losses stemming from turmoil in the markets, downsizing has spread from real estate and securitization to market trading, investment banking, asset management, and custodial services.

Goldman Sachs Japan Co., whose U.S. parent company logged its first quarterly loss since it was listed in 1999, has cut nearly 150 jobs in its investment banking, equities, custodial, and other operations. Credit Suisse has axed more than 70 workers mainly in its investment banking division as of the end of last week. Job cuts at these two firms account for 10 PERCENT of their total Japanese payrolls.

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Deutsche Securities Inc. has slashed nearly 60 jobs in securitization and other sections. Morgan Stanley Japan Securities Co. and Merrill Lynch Japan Securities Co. have also reduced their employees.

The Bank of Japan, a leading U.S. bank, plans to cut back its workforce across the world by up to 35,000 over the next three years, with its business integration with Merrill Lynch. European financial institutions are also stepping up cutbacks. Executive Search estimates that a total of 4,400 jobs at foreign financial institutions could be eliminated by the middle of 2009. This figure accounts for 16 PERCENT of their workforces in Japan.

13) Scope column: New Komeito agonizing over what approach it should take to government's mid-term tax reform program

TOKYO SHIMBUN (Page 2) (Full)  
December 18, 2008

The ruling Liberal Democratic Party (LDP) and its coalition partner New Komeito held a first meeting of a project team to discuss a mid-term program for drastic reform of the tax code, which the government had drafted. The project team launched coordination in the ruling parties as to when to hike the consumption tax. The New Komeito, however, is opposed to Prime Minister Taro Aso's plan to include the phrase (about hiking the consumption tax) "three years from now" in the government-drafted mid-term program. The New Komeito, therefore, intends to press the government to modify that wording in its mid-term program. In order to avoid a rift in the ruling coalition from opening, the New Komeito is having difficulties deciding what response it should take to resolve the issue.

In the project team's first meeting yesterday, the New Komeito frankly expressed displeasure with the government's mid-term program as presented on Dec. 16. One New Komeito official stated: "I wonder if it is good for the government to change the ruling coalition's large package of tax revisions, on which we spent a lot of time, by using a different expression."

The government's mid-term program includes the phrase that drastic reform for the tax code, including the consumption tax, will be implemented from fiscal 2011 (three years from now). Meanwhile, after holding consultations from late at night on Dec. 11 until before dawn next day, the LDP and New Komeito finally agreed to their draft outline on reform of the tax code that stipulates the vague expression "by the mid-2010s." Therefore, the New Komeito is unhappy with the term "three years from now."

After yesterday's 90-minute-meeting, former Health, Labor and



Welfare Minister Chikara Sakaguchi, chair of the New Komeito side's project team, commented on the government's mid-term program in a cautious manner: "I want to pose questions, since it mentions such specifically." He did not react strongly to the government.

Economic and Fiscal Policy Minister Kaoru Yosano has emphasized the Aso administration's responsibility for reform of the tax code, saying: "The government will lose its raison d'etre if it does as the ruling coalition parties say." The LDP has decided to go along with the prime minister's policy. Former Finance Minister Fukushima Nukaga, who is not a senior member of the LDP Policy Research Council, chairs the LDP side's project-team. This proves that the

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LDP has already made its decision.

In addition, strains are beginning to appear between the LDP and New Komeito due to LDP Election Strategy Council Chairman Makoto Koga's remarks on Dec. 14 that election cooperation between the two parties should be reviewed. As it stands, the New Komeito is unable to decide what approach it should take to the consumption tax issue. A senior New Komeito member said: "We cannot find a middle ground."

14) DPJ President Ozawa to ask Prime Minister Aso for meeting

ASAHI (Page 4) (Abridged slightly)  
December 18, 2008

Four employment measures bills presented by three opposition parties -- the Democratic Party of Japan (DPJ), Social Democratic Party (SDP) and People's New Party (PNP) -- will be approved today by a majority of the opposition parties at the House of Councillors Committee on Health, Labor and Welfare. DPJ President Ichiro Ozawa intends immediately after the bills are adopted in the Upper House to request Prime Minister Taro Aso to hold a meeting between them in order to call for enacting the bills before the end of the current extraordinary Diet session, which will run until Dec. 25.

The DPJ aims to play up its effort to tackle the employment situation, which has becoming more and more serious. The ruling parties, however, are strongly reacting to the DPJ's move.

The Upper House's Health, Labor and Welfare Committee hold a directors meeting yesterday to discuss the four employment measures bills. In the meeting, the ruling and opposition camps agreed to initiate deliberations on Dec. 18, but the ruling coalition opposed the DPJ's call for taking a vote on the bills the same day. However, Committee Chairman Tsukasa Iwamoto, a DPJ member, decided by virtue of his office that the bills were approved. Therefore, the set of four bills is expected to be passed in an Upper House plenary session today. The ruling bloc does not plan to deliberate on them in the House of Representatives during the ongoing session.

In an attempt to appeal its stance of aiming to pass the four bills during the current session, recognizing that the employment situation is facing imminent danger, the DPJ has insisted that the bills be put to a vote today in the committee. The JCP, SDP and PNP will likely side with the DPJ, while they are criticizing the DPJ's managing Diet affairs.

The DPJ will today play up its effort to dealing with the employment issue, considering today's session the climax of the extended ongoing Diet session. The DPJ's scenario is this: It will this morning get together with the SDP and PNP to hold a rally calling for an early enactment of the four bills; Deputy President Naoto Kan and other leaders will deliver speeches there; the leaders of the three parties will hold this evening a meeting after a vote is taken on the bills; and it will then call on the LDP to hold a meeting between Aso and Ozawa.

Meanwhile, the ruling coalition is strongly opposing to the opposition steamrolling a vote. The ruling parties will attend deliberations at the committee today but boycott a vote. LDP Upper House member Seiichi Eto told yesterday a DPJ lawmaker, who called on him: "What your party is doing is just a performance. That is extreme nonsense."

Moreover, regarding three of the four bills, the LDP's position is that they have already been resolved by the first supplementary budget for fiscal 2008, revisions to the ministerial ordinances before the end of the year, and notifications. In a party last night, Health, Labor and Welfare Minister Yoichi Masuzoe stressed: "I have already done what they say in the bills."

ZUMWALT